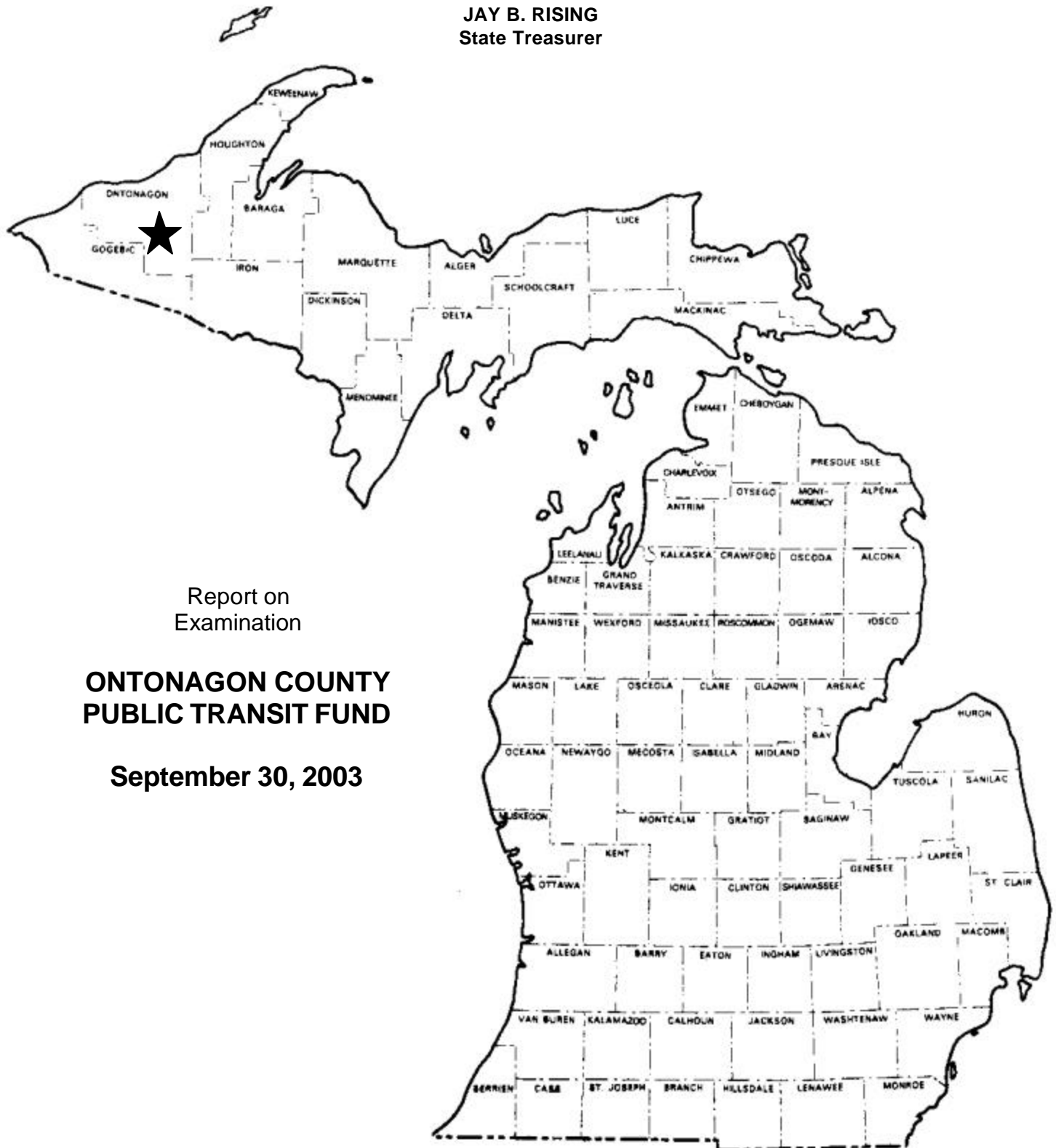


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Report on
Examination

**ONTONAGON COUNTY
PUBLIC TRANSIT FUND**

September 30, 2003

Local Audit and Finance Division
Bureau of Local Government Services

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JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

December 10, 2003

Ontonagon County Board of Commissioners
Ontonagon County Courthouse
725 Greenland Road
Ontonagon, Michigan 49953

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying financial statements of the Ontonagon County Public Transit Fund, a component unit of Ontonagon County, Michigan, as of and for the year ended September 30, 2003, as listed in the Table of Contents. These general purpose financial statements are the responsibility of Ontonagon County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ontonagon County Public Transit Fund, as of September 30, 2003 and the results of its operations and the cash flows of its proprietary fund types for year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2003 on our consideration of the Ontonagon County Public Transit Fund's internal control over financial reporting and our test on its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Ontonagon County Public Transit Fund, taken as a whole. The accompanying Schedule of

Expenditures of Federal and State Awards and Schedules 1 and 2 are presented for the purpose of additional analysis and are not a required part of the financial statements of the Ontonagon County Public Transit. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

ONTONAGON COUNTY PUBLIC TRANSIT FUND

TABLE OF CONTENTS

	<u>Page</u>
GENERAL PURPOSE FINANCIAL STATEMENTS	
EXHIBIT A--Balance Sheet	1
EXHIBIT B--Statement of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual.....	2
NOTES TO FINANCIAL STATEMENTS.....	3
SUPPLEMENTAL SCHEDULES	
SCHEDULE 1--Operating Expenditures.....	10
SCHEDULE 2--Net Eligible Costs Computations of General Operations	11
SCHEDULE 3--Mileage Data (Unaudited).....	12
SCHEDULE 4--Expenditures of Federal and State Awards	13
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	14

ONTONAGON COUNTY PUBLIC TRANSIT FUND
BALANCE SHEET
September 30, 2003

EXHIBIT A

	<u>GOVERNMENTAL FUND TYPE</u>	<u>ACCOUNT GROUP</u>	
	General Operating Fund	General Fixed Assets	Total (Memorandum Only)
<u>ASSETS</u>			
Cash	\$ 79,244		\$ 79,244
Certificates of Deposit	100,000		100,000
Imprest Cash	50		50
Due From State of Michigan	4,063		4,063
Accounts Receivable	3,520		3,520
Prepaid Expense	2,615		2,615
Property, Plant and Equipment		\$ 1,053,545	1,053,545
Total Assets	<u>\$ 189,492</u>	<u>\$ 1,053,545</u>	<u>\$ 1,243,037</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities			
Accounts Payable	\$ 6,444		\$ 6,444
Due to State of Michigan	18,725		18,725
Accrued Wages Payable	9,565		9,565
Accrued Benefits Payable	14,410		14,410
Total Liabilities	<u>49,144</u>	<u>\$ -</u>	<u>49,144</u>
Fund Equity			
Investment in General Fixed Assets		1,053,545	1,053,545
Fund Balance	<u>140,348</u>		<u>140,348</u>
Total Fund Equities	<u>140,348</u>	<u>1,053,545</u>	<u>1,193,893</u>
Total Liabilities and Fund Equity	<u>\$ 189,492</u>	<u>\$ 1,053,545</u>	<u>\$ 1,243,037</u>

The Notes to Financial Statements are an integral part of this statement.

ONTONAGON COUNTY PUBLIC TRANSIT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE--BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2003

EXHIBIT B

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Operating Revenues			
Demand Response Fares	\$ 46,734	\$ 51,020	\$ 4,286
Nonoperating Revenues			
Locally Raised Revenues			
Property Taxes	88,150	88,133	(17)
Federal Grants			
Section 5311 Operating Assistance			
Contract #02-0077Z3	47,222	44,635	(2,587)
RTAP Training Funds	3,500	2,601	(899)
State Grants			
FY 03 Formula Operating Assistance	188,889	178,539	(10,350)
Prior Years' Operating Assistance Adjustments		(4,628)	(4,628)
State Single Business Tax	1,100	1,049	(51)
Sale of Maintenance Services	3,872	1,803	(2,069)
Sale of Advertising Space	-	2,972	2,972
Interest Earned on Deposits	2,692	2,693	1
Total Nonoperating Revenues	335,425	317,797	(17,628)
Total Revenues	382,159	368,817	(13,342)
Expenditures			
Operating Expenditures			
Labor	221,470	211,869	9,601
Fringe Benefits	127,275	122,953	4,322
Services	5,320	4,462	858
Materials and Supplies Consumed	34,860	31,869	2,991
Utilities	8,450	7,595	855
Casualty and Liability Costs	18,535	13,703	4,832
Miscellaneous Expense	4,410	3,204	1,206
County Central Services Costs	15,000	14,614	386
Total Expenditures	435,320	410,269	25,051
Excess of Revenues Over (Under) Expenditures	(53,161)	(41,452)	11,709
Fund Balance--October 1, 2002	181,800	181,800	-
Fund Balance--September 30, 2003	\$ 128,639	\$ 140,348	\$ 11,709

The Notes to Financial Statements are an integral part of this statement.

ONTONAGON COUNTY PUBLIC TRANSIT

NOTES TO FINANCIAL STATEMENTS

NOTE A--REPORTING ENTITY

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on the above criteria, these financial statements present the Ontonagon County Public Transit Fund, a blended component unit of Ontonagon County.

The Ontonagon County Public Transit Fund is, for financial reporting purposes, within generally accepted accounting principles, a special revenue fund of Ontonagon County. The financial statements herein present the financial operations of the Public Transit Fund which is used to account for the revenues and expenditures of the Ontonagon County Public Transit System. Revenue is derived primarily from a special voted property tax millage, State and Federal aid, and farebox fees which are earmarked for the operation and maintenance of the transit system. The Ontonagon County Public Transit System is administered by the Ontonagon County Board of Commissioners to provide public transportation services within the boundaries of Ontonagon County.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounts of the Ontonagon County Public Transit Fund are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Ontonagon County Public Transit Fund are recorded in separate funds and account groups, categorized as follows:

Governmental Fund--Special Revenue Fund

Special revenue funds are used to account for specific revenue derived from State and Federal grants, tax millages and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

ONTONAGON COUNTY PUBLIC TRANSIT

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fixed Assets Account Group

This account group presents the fixed assets of the Ontonagon County Public Transit Fund utilized in its general operations. Fixed assets used in the general fund type operations are accounted for in the general fixed assets account group, rather than in the governmental funds. All fixed assets are recorded at cost, or if donated, at their estimated fair value on the date donated.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the Ontonagon County Public Transit Fund conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

The modified accrual basis of accounting is followed by the Public Transit Fund (special revenue fund category). The modified accrual basis provides that revenues be recorded when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred.

General Fixed Assets Account Group

Fixed assets purchased are recorded as capital outlay expenditures in the General Operating Fund and, subsequently, capitalized in the general fixed assets account group. All assets are recorded at cost, except for depletable assets, which are at cost or appraisal value.

Property Tax Revenues

The county property taxes are levied on each December 1st on the State equalized valuation of property located in the county as of the preceding December 31st.

The county's 2002 ad valorem tax was levied and collectible on December 1, 2002. It is the county's policy to recognize revenues from the current tax levy in the Transit System's 2002-03 fiscal year when the proceeds of this levy are budgeted and made available for the financing of the Public Transit System's operations.

The 2002 taxable valuation of Ontonagon County amounted to \$169,471,436, on which ad valorem taxes of .4942 mills were levied for County Public Transit Fund operating purposes.

ONTONAGON COUNTY PUBLIC TRANSIT

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cost Allocation Plans

Ontonagon County has prepared and submitted to the Passenger Transportation Division, Michigan Department of Transportation, a central services cost allocation plan to document those general fund costs which should be allocated to the various Federal and State grant programs. This plan has been adhered to in the preparation of the financial statements. The amount of \$14,614 was paid to the General Fund by the Public Transit Fund for the 2003 fiscal year central services charges.

Budgets and Budgetary Accounting

The budget is adopted by the county board of commissioners for the Public Transit Fund. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for this fund. The budgets are adopted at the activity level and control is exercised at that level. The county board of commissioners has authorized the county's chief administrative officer (county clerk) to make general fund budget transfers between activities in September, when necessary, without increasing the overall budget and with the transfers to be subsequently presented to the board for their review and approval.

Budgeted revenues and expenditures, as presented in Exhibit B, include any authorized amendments to the original budget as adopted.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Total Column on Combined Statements--Overview

The total column on the balance sheet--Exhibit A, is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles.

Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

ONTONAGON COUNTY PUBLIC TRANSIT

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH DEPOSITS AND INVESTMENTS

Deposits are carried at cost. Deposits of the county are at various banks in the name of the county treasurer. Michigan Compiled Laws, Section 129.91, authorizes the county to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The county's deposits and investments are in accordance with statutory authority and the county has adopted an investment policy in accordance with Public Act 196 of 1997. The Public Transit Fund monies are deposited to the county's common bank accounts along with the monies of several other county funds.

The risk disclosures for the County Public Transit Fund's deposits at September 30, 2003, as required by the Governmental Accounting Standards Board (GASB) Statement No. 3, are not available because the fund's cash deposits are part of the county's general bank accounts. However, we estimate that approximately 20% of the county's bank account balances are covered by FDIC insurance at September 30, 2003. The cash carrying balance at September 30, 2003 was \$179,244.

NOTE D--DUE FROM STATE

The following amounts recorded as due from the Michigan Department of Transportation on September 30, 2003, represent amounts earned but not yet received on the respective Federal and State grant contracts and agreements.

Federal Section 5311 Operating Assistance	
2001-02 Contract #02-0077/Z1	\$ 2,204
2002-03 Contract #02-0077/Z3	<u>1,859</u>
Total	<u><u>\$ 4,063</u></u>

The above receivables and related program revenues are subject to adjustments resulting from program compliance audits by the Michigan Department of Transportation that have not yet been finalized.

ONTONAGON COUNTY PUBLIC TRANSIT

NOTES TO FINANCIAL STATEMENTS

NOTE E--GENERAL FIXED ASSETS ACCOUNT GROUP

The following is a summary of the changes in the general fixed assets account group:

	Account Balances 10/01/02	Additions	Deductions	Account Balances 09/30/03
Fixed Assets Accounts				
Airport and Transit				
Office Furniture and Fixtures	\$ 7,853			\$ 7,853
Office and Other Equipment	17,466			17,466
Transit				
Buildings	640,735			640,735
Radio Equipment	23,344			23,344
Vehicles	364,147			364,147
Total	<u>\$ 1,053,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,053,545</u>

NOTE F--DUE TO THE STATE

The following amounts recorded as due to the Michigan Department of Transportation on September 30, 2003, represent amounts overpaid on the respective State grant contracts and agreements, based on audited eligible costs.

State Operating Assistance--2001/02	\$ 4,226
State Operating Assistance--2002/03	<u>14,499</u>
Total	<u>\$18,725</u>

The above payables and related program revenues are subject to adjustments resulting from program compliance audits by the Michigan Department of Transportation which have not yet been finalized.

NOTE G--COMPENSATED ABSENCES

Vacation Benefit Policies

The county's employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service. Vacation benefits are earned and credited to each employee on a biweekly basis. Employees are permitted to maintain an accumulation of up to 1 year's vacation benefits.

ONTONAGON COUNTY PUBLIC TRANSIT

NOTES TO FINANCIAL STATEMENTS

NOTE G--COMPENSATED ABSENCES (Continued)

Sick Leave Benefit Policies

The county's employment policies provide for sick leave benefits to be earned at the rate of 1 day per month, with a maximum accumulation of 100 days. When county general and public transit employees separate from employment with the county, for whatever reason, they shall be paid 20% of all unused sick days to a maximum of 100 days.

The accrued liability for accumulated and vested vacation and sick leave benefits is recorded in the Public Transit Fund's financial statements as of September 30, 2003.

NOTE H--RISK MANAGEMENT

The Ontonagon County Transit is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The county carries commercial insurance for all losses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 years.

NOTE I--EMPLOYEES' RETIREMENT PLAN

Description of Plan and Plan Assets

Ontonagon County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2002.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the county's competitive bargaining units. The pension contributions were 10.17%, for the county at December 31, 2002.

ONTONAGON COUNTY PUBLIC TRANSIT

NOTES TO FINANCIAL STATEMENTS

NOTE J--EMPLOYEES' RETIREMENT PLAN (Continued)

Annual Pension Cost

For the calendar year ended December 31, 2002, the county's annual pension cost was \$129,707 which was equal to the county's required and actual contributions. The annual required contribution was determined as part of an actuarial valuation at December 31, 2000. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB 27

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2000	\$142,299	100%	\$0
2001	135,865	100%	0
2002	129,707	100%	0

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation December 31</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Accrued Liability (AAL)</u>	<u>(3) Overfunded (Unfunded) AAL (UAAL) (1) - (2)</u>	<u>(4) Funded Ratio (1) / (2)</u>	<u>(5) Covered Payroll</u>	<u>(6) UAL as a % of Covered Payroll</u>
2000	\$ 3,546,407	\$3,857,457	\$ (311,050)	92%	\$ 1,275,812	31%
2001	3,848,410	4,619,233	(770,823)	83%	1,305,580	24%
2002	3,985,661	5,030,211	(1,044,550)	79%	1,378,927	59%

ONTONAGON COUNTY PUBLIC TRANSIT FUND
SCHEDULE OF OPERATING EXPENDITURES
For the Fiscal Year September 30, 2003

SCHEDULE 1

	Operations	Maintenance	General Administration	Total System
Labor				
Operators' Wages	\$ 117,740			\$ 117,740
Other Salaries and Wages		\$ 22,795	\$ 31,770	54,565
Dispatchers' Wages	39,564			39,564
Fringe Benefits	90,559	16,125	16,269	122,953
Services	2,430		2,032	4,462
Materials and Supplies Consumed				
Fuel and Lubricants	22,862			22,862
Tires and Tubes	676			676
Other Materials and Supplies	1,186	6,171	974	8,331
Utilities	2,164		5,431	7,595
Casualty and Liability Costs	13,671		32	13,703
Miscellaneous Expenses				
Travel and Meetings			2,604	2,604
Association Dues and Subscriptions			600	600
County Central Services Costs			14,614	14,614
	<u>\$ 290,852</u>	<u>\$ 45,091</u>	<u>\$ 74,326</u>	<u>\$ 410,269</u>

ONTONAGON COUNTY PUBLIC TRANSIT FUND
NET ELIGIBLE COSTS COMPUTATIONS
OF GENERAL OPERATIONS
For the Fiscal Year Ended September 30, 2003

SCHEDULE 2

	Federal Section 5311	State Operating Assistance
Operating Expenditures		
Labor	\$ 211,869	\$ 211,869
Fringe Benefits	122,953	122,953
Services	4,462	4,462
Materials and Supplies Consumed	31,869	31,869
Utilities	7,595	7,595
Casualty and Liability Costs	13,703	13,703
Miscellaneous	3,204	3,204
County Central Services Costs	14,614	14,614
Total Operating Expenditures	410,269	410,269
Less: Ineligible Expenditures		
Membership Dues	45	45
Federal (RTAP) Training Funds	2,601	2,601
Net Eligible Expenditures	407,623	407,623
Federal Section 5311 Funding (10.95% x Net Eligible Expenditures)	<u>\$ 44,635</u>	
State Operating Assistance (43.800078503% x Net Eligible Expenditures)		<u>\$ 178,539</u>

ONTONAGON COUNTY PUBLIC TRANSIT
MILEAGE DATA--(UNAUDITED)
For the Fiscal Year Ended September 30, 2003

SCHEDULE 3

	Public Transportation Mileage
	<hr/>
Demand-Response	
First Quarter	42,139
Second Quarter	42,183
Third Quarter	38,808
Fourth Quarter	<hr/> 38,232
Total Operation	<hr/> <hr/> 161,362

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

ONTONAGON COUNTY PUBLIC TRANSIT FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2003

SCHEDULE 4

	Federal CFDA Number	State Grantor Number	Program or Award Amount	Federal Receipts/ Revenue	State Receipts/ Revenue	Disbursements/ Expenditures	Amount Remaining
U.S. Department of Transportation Passed through Michigan Department of Transportation							
Federal and State Operating Assistance Computations Based on Net Eligible Federal and State Expenditures						\$ 407,263	
Federal Operating Assistance							
Section 5311	20.507	02-0077Z3	\$ 45,098	\$ 44,635		44,635	
Prior Years' Contract Settlement Adjustments							
Federal Training (RTAP) Funds				2,601		2,601	
State Operating Assistance							
Act 51 Formula Funding (FY 03)	N/A	N/A	188,844		\$ 178,539		
Prior Years' Contract Settlement Adjustments	N/A	N/A			(4,628)		
Total Department of Transportation				\$ 47,236	\$ 173,911	\$ 454,499	\$ -



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

December 10, 2003

Ontonagon County Board of Commissioners
Ontonagon County Courthouse
725 Greenland Road
Ontonagon, Michigan 49953

RE: Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Commissioners:

We have audited the financial statements of the Ontonagon County Public Transit Fund as of and for the year ended September 30, 2003, and have issued our report thereon dated December 10, 2003. We conducted our audit in accordance auditing standards with generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether the Ontonagon County Public Transit financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Ontonagon County Public Transit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned

functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division